

Message Text

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ACTION ABF-01

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SUBJ: MORE ON TWA REMITTANCES - EXCESS FOREIGN CURRENCIES

REF: (A) CAIRO 7846, (B) STATE 59569,

SUMMARY: DURING CALL ON GOE MINECON OFFICIAL MARCH 15,
EMBOFF LEARNED THAT, CONTRARY TO EARLIER MINISTRY
PROTESTATIONS, THERE HAS BEEN "TEMPORARY SUSPENSION" OF
"EXCESS PROFIT" REMITTANCES ACCRUING TO FOREIGN AIRLINES
AS RESULT OF IMPOSITION OF 12.5 PER CENT SURCHARGE AS OF
NOVEMBER 1, 1977 AT DIRECTION OF GOE MINCIVAVIATION.
MINECON MAINTAINS ALL "NORMAL" SURPLUSES ARE STILL
TRANSFERABLE. END SUMMARY.

1. EMBOFF CALLED ON MINECON DEPUTY DIRECTOR FOR FX
CONTROL ABDOUN MBWECT 15 TO CLARIFY DETAILS ON TWA'S
PROBLEM WITH REMITTANCES. LOCAL TWA ACCOUNTING MANAGER
HAD INFORMED EMBASSY EARLIER THAT TWA'S APPLICATION TO
TRANSFER LE 82,000 AT END JANUARY WAS DENIED. GOY
OFFICIAL TOOK POSITION THAT TWA HAS REMITTED MORE THAN
"NORMAL" PROFITS THROUGH DECEMBER AS RESULT SECOND 12.5
PER CENT SURCHARGE INSTITUTED LATE LAST FALL.

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MINECON HAS, HOWEVER, TAKEN ACTION AGAINST TWA AND OTHER
IATA CARRIERS OPERATING IN EGYPT TO STOP "EXCESS"
TRANSFERS AS MINECON HAD NOT AGREED TO FARE INCREASE.
ABDOUN EMPHASIZED MINECON ONLY CONCERNED ABOUT INCREMENTAL
REVENUES GENERATED SINCE OCTOBER AS RESULT OF SURCHARGE.
HE NOTED THAT ESTIMATES OF THIS "OVERAGE" HAD BEEN MADE
FOR EACH CARRIER BASED ON PERCENTAGE OF GROSS SALES.

LOCAL AIRLINE OFFICES HAD BEEN INFORMED OF EXCESS AMOUNTS TRANSFERRED. IN TWA'S CASE ESTIMATED OVERAGE AMOUNTS TO LE 120,000 ON REPORTED GROSS SALES OF LE 1.2 MILLION FOR THIRD QUARTER 1977. (TWA ACCOUNTING MANAGER INDICATED THAT MINECON HAS INFORMED THEM OF FIGURE, BUT CONTENDS ESTIMATE INACCURATE AS IT INCLUDES OCTOBER SALES WHICH WERE NOT AFFECTED BY SURCHARGE. MOREOVER, TWA MAINTAINS THEY ARE NOT PROPERLY SUBJECT TO MINECON ASSESSMENT AS S COMPANY FOLLOWING DIRECTIVE OF GOE MINCIVAVIATION.)

2. ABDOUN STRESSED THAT MINECON HAS ONLY TEMPORARILY STOPPED TRANSFERS IN EXCESS OF "NORMAL" PROFITS WHICH WOULD HAVE ACCRUED HAD AIRLINES MAINTAINED OLD RATE. HE FURTHER NOTED THAT ISSUE HAD BEEN RAISED TO MINISTERIAL LEVEL AND MINECON HAMED EL SAYEH, IN COORDINATION WITH ECONOMIC GROUP, PLANS TO REVIEW PROBLEM AS SOON AS POSSIBLE. (WE HAVE HEARD FROM EGYPTAIR OFFICIAL MEETING IN THIS REGARD SCHEDULED TAKE PLACE MARCH 16.) AFFECTED AIRLINES AND IATA REPRESENTATIVE, AS WELL AS USG, HAVE RAISED MATTER WITH MINECON. ABDOUN HOPES RESPONSE WILL BE FORTHCOMING. HE PROMISED TO INFORM EMBASSY OF RESULTS OF MINISTER'S DECISION.

3. DURING COURSE OF CONVERSATION ABDOUN REMARKED THAT PRICE INCREASE IN AIRLINE TICKETS WOULD CAUSE GOE PROBLEMS WITH IMF IN CONNECTION WITH JUST-COMPLETED LIMITED OFFICIAL USE

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PRICING POLICY REVIEW IN FEBRUARY. HE APPEARED ANNOYED THAT MINCIVAVIATION HAD TAKEN ACTION TO INCREASE SURCHARGE WITHOUT PRIOR CONSULTATION WITH MINECON.

4. COMMENT: WHILE IT APPEARS "BLOCKAGE" OF ACCOUNTS OF ALL FOREIGN (IATA) AIRLINES HAS IN FACT OCCURRED, GOE ACTION SEEMS LIMITED TO "EXCESS" EARNINGS GENERATED AS IMF'S POSSIBLE CRITICISM OF AIRFARE PRICE HIKE SEEMS TO US MISPLACED. FOR RECORD WE NOTE IMF IS UNDER IMPRESSION ALL AIRLINE TICKET SALES NOW CARRIED OUT AT PARALLEL RATE (SEE IMF SM/78/9 - 1/6/78, P.2). WHILE THIS IS TRUE OF FOREIGN CURRENCY PURCHASE OF TICKETS OUTSIDE OF EGYPT, IT IS NOT SO WITH RESPECT TO TICKETS PURCHASED IN EGYPTIAN POUNDS FOR TRAVEL ORIGINATING IN CAIRO. EVEN WITH IMPOSITION OF NEW SURCHARGE, OFFICIAL IATA RATE AMOUNTS TO \$1.00 EQUALS 54.8 PIASTERS; PRIOR RATE EFFECTIVE MAY 76 TO NOVEMBER 77 WAS \$1.00 EQUALS 48.38 PIASTERS.

5. IT IS GENERALLY ACCEPTED BY AIRLINES THAT THEY ARE LOSING MONEY ON POUND-PURCHASED TICKETS. WE UNDERSTAND IATA HAS BEEN PUSHING FOR SHIFT TO PARALLEL MARKET RATE

(\$1.00 EQUALS 70 PIASTERS) FOR PAST TWO YEARS. GIVEN
IMF'S STATED CONCERNS OVER INTERNAL PRICING PROBLEMS AND
MULTIPLE EXCHANGE RATE, SURCHARGE WOULD APPEAR TO BE ONLY
MINOR MOVE TOWARD PRICE RATIONALIZATION IN THIS
PARTICULAR AREA. EILTS

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